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ACTION EB-00

INFO	LOG-00	NP-00	AF-00	AID-00	A-00	ACQ-00	CEA-01
	CTME-00	INL-00	DODE-00	DOTE-00	PERC-00	DS-00	EAP-00
	EXIM-01	OIGO-00	E-00	FAAE-00	VC-00	FRB-00	H-00
	TEDE-00	INR-00	IO-00	ITC-01	LAB-01	L-00	CAC-00
	VCE-00	M-00	AC-00	DCP-00	NSAE-00	OIC-00	OIG-00
	OMB-00	NIMA-00	MCC-00	GIWI-00	ACE-00	SGAC-00	FMPC-00
	SP-00	IRM-00	SSO-00	SS-00	STR-00	TRSE-00	EVR-00
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SUBJECT: SCENESETTER FOR PRESIDENT KUFUOR'S MEETING WITH  
PRESIDENT BUSH

REF: A. ACCRA 892  
[1](#)B. ACCRA 658

Classified By: AMBASSADOR MARY C. YATES FOR REASONS 1.5 D AND E.

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Summary/Introduction  
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[1](#)1. (C) Ghana is a democratic, market-oriented, pro-American country in a region marked by conflict and authoritarian rule. It has one of the best human rights records in Africa and has made significant efforts to combat trafficking in persons. President John Kufuor is five months into his second term which has so far been marked by intra-party tensions and sluggish decision making. Ghana exerts regional leadership, strongly supports the Global War on Terrorism, and is a committed, major contributor to UN peace keeping operations. President Kufuor has met President Bush four times and has positive views of the United States. Kufuor understands that economic growth is critical to continued political stability in Ghana. Despite some concerns that his government has been slow to remove obstacles to foreign investment, Kufuor's administration has done an admirable job over the last four years of stabilizing the economy and fostering an environment for stronger growth.

[1](#)2. (C) This cable outlines U.S.-Ghana political, economic, military, and security relations. It suggests issues that we may raise with Kufuor and those that he may raise with us. The Bush/Kufuor meeting may offer an opportunity to discuss our concerns related to trafficking in persons and corruption, and also congratulate Kufuor on excellent counter-terrorism and military cooperation. Kufuor may raise MCA, civil aviation concerns, problems with the IMF, cocoa/child labor, and regional issues. End Summary

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U.S.-Ghana Relations  
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[1](#)3. (SBU) Ghana is a reliable, democratic partner for the U.S. in peacekeeping, conflict resolution, counter-terrorism, and economic development. U.S. interests center on support for Ghana's fifteen-year-old democracy, promotion of open markets, and the reduction of poverty. Key components of the broad U.S.-Ghana relationship are:

[1](#)4. (SBU) Democracy: Ghana's December 2004 parliamentary and presidential election, the fourth election under the 1992 constitution, was seen as free, fair and generally peaceful. Ghana has a free, lively media and civil society, a largely independent judiciary and Electoral Commission, and an apolitical military. It generally respects human rights and rule of law. However, the long-term success of Ghana's constitutional democracy is not guaranteed and democratic institutions are weak. Corruption is a concern. We supported the 2004 election with Mission observers and \$1.3 million in election assistance. We have programs to strengthen parliament, the judiciary, the police and the media.

15. (SBU) Development Assistance and Trade: Annual USG assistance to Ghana is approximately \$75 million. This includes one of USAID's largest programs in Sub-Saharan Africa. Ghana receives approximately \$55 million in USAID grant assistance and food aid per year, with a focus on education, health, HIV/AIDS, environment, trade and investment, and democracy and governance. The U.S. and Ghana have a relatively dynamic trade relationship. Ghana is the fifth largest market in Africa for U.S. goods, and USTR recently named Ghana a "pacesetter" country, due to its relative success in taking advantage of AGOA.

16. (S) Security: Ghana provides us excellent cooperation in counter-terrorism and counter-narcotics efforts. Intelligence sharing is outstanding. We have a robust mil-mil relationship, in part a recognition of Ghana's outstanding contribution to peacekeeping (Ghana is the fourth largest contributor to UN peacekeeping forces worldwide) and to regional stability. Ghana was key to peace efforts in Liberia and Cote d'Ivoire. During the recent Togo crisis, Ghana played a constructive, low-key role, in support of the Economic Community of West African States (ECOWAS). Kufuor served as Chair of the ECOWAS for two terms, ending January 2005. The Executive Secretary of ECOWAS is Ghanaian (Mohammed Ibn Chambas). Ghana has also been welcoming to

refugees and currently hosts 44,000 refugees, mostly Liberian. We support Ghana's regional role through USAID's West Africa Regional Program (WARP) and through our Refugee Coordinator Office, both based in Accra.

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Internal Political Situation  
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17. (SBU) President Kufuor of the New Patriotic Party (NPP) won reelection for a second four-year term in the December 2004 election, defeating John Atta Mills of the National Democratic Congress (NDC) party. The NPP has a strong majority in parliament, but Kufuor's narrow (52%) victory in the presidential race opened the door to substantial internal party friction and an increasingly polarized political environment.

18. (SBU) Kufuor began his second term with some positive momentum. He clearly articulated three priorities: 1) human resource development, 2) private sector development, and 3) a continued emphasis on good governance. He launched politically risky petroleum deregulation and selected a Cabinet which drew heavily on experience and loyalty. He presented and received parliamentary vetting and approval of a solid budget.

19. (SBU) However, over the past few months, this momentum has slowed and Kufuor has been on the defensive. In April, the NPP lost a key parliamentary by-election in its heartland Ashanti Region. The NPP has been distracted by intra-party wrangling over the party's choice to succeed Kufuor in the 2008 election (eleven contenders, including many ministers, are already reportedly in the running). The President called an emergency meeting to sort out tensions in the party.

110. (C) The Kufuor government has also faced new charges of corruption, highlighted by Ghana's free media. Energy Commission Members were forced out under a cloud. The Administration was attacked for alleged corruption in the creation of Ghana International Airlines. Over the past week, media allegations linked the President to a corrupt hotel deal and an extra-marital affair with an Iraqi-American. (Kufuor denies involvement in the hotel, bought by his son, but the GOG has not commented on the other allegation).

111. (C) Political decision making is sluggish in many areas. Parliament is in its second session of 2005 but has yet to pass one non-budget law. Kufuor has defended his decision on petroleum deregulation but is reluctant to continue with the petroleum sector reforms required by the IMF. The President has been criticized for being slow in selecting District Chief Executives and ambassadors. On the other hand, on May 20, Kufuor announced major changes in the top military hierarchy, in an expected rotation.

112. (C) Continued, pointed verbal attacks between former President Rawlings (of the NDC) and NPP leaders, while not unusual in recent years, have further polarized Ghanaian politics over the past few months. The opposition NDC has led four demonstrations this year, the latest on May 26, against recent petroleum price hikes. NDC leaders are bitter about the recent election loss and perceived NPP vindictiveness and heavy-handedness in parliament. While hopeful that the NPP and Kufuor's current problems will help the NDC in 2008 elections, the opposition has its own internal friction and financial difficulties.

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Security  
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13. (SBU) Ghana's 8,000 strong military is characterized by its allegiance (at least over the past five years) to elected civilian leadership, as well as a rich peacekeeping tradition and a close relationship to the United States. Since 1960, over 80,000 Ghanaian soldiers and police have participated in peacekeeping missions worldwide, including currently in Liberia, Sierra Leone and Cote d'Ivoire. We provide support through our Excess Defense Articles (EDA) program, International Military Exchange Training (IMET) training, and African Contingency Operations Training and Assistance (ACOTA) program. Ghana opened the Kofi Annan International Peacekeeping Training Center in 2004, the only center of its kind in West Africa.

14. (SBU) Our mil-mil relationship also includes West Africa Training Cruises and Joint Combined Exchange Training. Ghana is the newest member of the U.S. National Guard State Partnership Program, with North Dakota (only the second in Sub-Saharan Africa) which will further strengthen mil-mil and civilian-military ties. Ghana participates as an African Fuel Initiative Hub country. Ghanaians avidly participate in DOD's counterterrorism Fellows programs. Military visits over the past year included two ship visits, nine General Officer or Flag Officer visits, and a regional coastal security conference.

15. (S) Ghana is a strong ally in the Global War on Terrorism. Ghana has signed all 12 UN terrorism conventions and a Customs Mutual Assistance Agreement. We have excellent police contacts and good cooperation with the police and other security services, including the intelligence services, on matters related to terrorism. We have also assisted Ghana's police, customs, and counter-narcotics agencies. RMAS and the Ghana Security Services cooperate closely on counterterrorism.

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State of the Economy  
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16. (SBU) In 2000, the Kufuor government inherited a distressed economy: high debt levels, accelerating inflation and interest rates, a plummeting currency (the "cedi"), all exacerbated by declining world cocoa and gold prices (the main foreign exchange earners), and rising crude oil prices. Kufuor's government strengthened fiscal and monetary policies considerably, reining in spending and borrowing, and cutting subsidies by imposing badly needed energy and water price increases.

17. (SBU) The improved policy performance along with higher cocoa and gold prices since 2002 resulted in higher economic growth, reaching 5.2% in 2003 and 5.8% in 2004. 2004 inflation fell to below 12%, interest rates to below 20%, and the cedi is stable. Tight monetary policies have restored confidence in the economy, and the IMF calls the government's control of expenditures during the 2004 election year an "historic achievement."

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Positive Economic Trends: MCA and Regional Role  
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18. (SBU) Ghana is becoming a gateway to West Africa, due in part to its political stability and economic reforms, but also due to turmoil in the region. Trade and investment flows to and through Ghana are increasing, and businesses, Embassies, NGOs, and international organizations are increasing their presence in Ghana, using it as a regional hub.

19. (SBU) In May 2004, the Millennium Challenge Corporation (MCC) designated Ghana eligible for Millennium Challenge Account (MCA) funding. In July 2004, Ghana reached Completion Point under the Heavily Indebted Poor Country (HIPC) Initiative, resulting in \$4.2 billion debt relief. Ghana is also realizing large foreign remittance flows, as well as increasing foreign investment, including from U.S. companies such as Newmont and ALCOA. The government has resolved many of the investment disputes that undermined U.S.-Ghana relations in recent years.

20. (SBU) Ghana's impressive performance has not gone unnoticed. Standard and Poor's assigned Ghana a relatively high "B " sovereign credit rating. Fitch Rating Agency upgraded Ghana to a "B " rating in March 2005, citing HIPC Completion Point, improved economic indicators and fiscal restraint through the election cycle.

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Concerns: Energy, Business Climate, External Shocks  
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21. (SBU) The government faces major challenges in its effort to reform the economy. Inefficiencies in the energy sector could pose a risk to continued solid economic performance, and Ghana is having trouble fulfilling its commitment to the IMF to deregulate the petroleum market. Also, despite Kufuor's promise of a "Golden Age of Business," Ghana remains a difficult place to do business. Contract sanctity and difficulty in obtaining clear land title are concerns.

Ghana's congested courts make it difficult to resolve disputes. Due to excessive bureaucracy the average time to start a business exceeds 60 days, high compared to Ghana's peers. The delays associated with establishing a business contribute to widespread corruption, as the heavy paperwork and licensing requirements create incentives to bypass normal channels. While the corruption damages Ghana's reputation, it also scares away legitimate investors and diminishes the potential impact of new investment on economic growth and reducing poverty. Finally, Ghana's dependence on commodity exports leaves it highly vulnerable to external shocks.

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Economic Outlook  
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22. (SBU) Despite these concerns, the overall outlook is positive. If Ghana maintains fiscal and monetary discipline, world oil prices stabilize, and favorable external conditions continue for gold and cocoa, the economy should remain stable and possibly repeat or exceed the 5.8% 2004 growth level in 2005.

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Issues We Could Raise with Kufuor  
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23. (C) President Bush or others interlocutors could include the following issues in discussions with President Kufuor:

-- TIP: Ghana is a source, transit and destination country for trafficked persons and has an internal trafficking problem. The GOG has taken steps to educate the public about trafficking and to provide assistance to victims and their families. Nonetheless, Ghana received a Tier 2 placement in the 2005 Trafficking in Persons Report. This is a drop from Ghana's status in 2004 as the only country in Sub-Saharan Africa to be Tier 1. Ambassador Yates raised with Kufuor on March 9 the need for Ghana to pass anti-trafficking legislation or face a drop in Tier status. In a May 27 meeting with the Ambassador, the Interior Minister said a draft anti-trafficking bill had just been passed by Cabinet and he was hopeful parliament would pass it into law by the end of July. We should note to Kufuor that we are disappointed by this drop in Ghana's status. We recognize Ghana has a commitment to fighting trafficking in persons, but needs to do more in protection, prosecution and prevention ) particularly through passage of pending anti-trafficking legislation.

-- Counterterrorism and Mil-Mil: We should commend Ghana for its excellent cooperation in counter-terrorism and intelligence sharing. We should also express our appreciation to Ghana for the strong military-military relationship, particularly Ghana's peacekeeping role, and congratulate Kufuor on the National Guard State Partnership Program with North Dakota.

-- Corruption: We might note growing concerns raised by private business, NGOs, and others about corruption in Ghana. Ambassador Yates raised this in a May 5 meeting (reftel). We can emphasize that corruption hurts American companies, undermines economic growth and development, and damages Ghana's reputation.

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Issues Kufuor Might Raise  
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24. (C) Kufuor Might Raise the following issues. We will meet with MFA contacts over the next week to see if there are other items the GOG expects to raise:

-- Status of Ghana's MCA Program: The MCC designated Ghana eligible for MCA assistance in FY04 and FY05. The MCC and Ghana hope to complete a compact by fourth quarter 2005. Ghana's proposal is for approximately \$290 million, and focuses on accelerating agri-business development. Ghana's difficulty in assembling a staffed and funded MCA team delayed negotiations. After Ambassador Yates demarched President Kufuor in March 2005 to speed up MCA preparations, he established a core team with a \$500,000 budget necessary to hire technical consultants. Kufuor closely monitors the talks and may raise MCA issues while in Washington. The MCC

will keep staff in Ghana over the next six months to ensure they make sufficient progress to sign a compact in 2005.

-- FAA downgrade of Ghana to Category II: On April 29, 2005, FAA downgraded Ghana to Category II status due to air safety oversight concerns, and barred Ghanaian airlines from U.S. airspace. In response to this decision, President Kufuor attached all civil aviation oversight to his office. Given his keen interest in civil aviation, President Kufuor may request assistance on regaining Category I. Embassy and FAA have informed all appropriate government officials -- including President Kufuor -- of the measures needed to regain Category I status, and the FAA has offered technical assistance (for a fee) to assist the government to improve its safety oversight.

-- Issues with the IMF: The IMF and World Bank approved HIPC Completion Point in July 2004 following President Kufuor's promise to deregulate the petroleum sector -- ending state energy subsidies -- in February 2005. The government took the difficult political decision to raise gasoline prices 50% in February. However, it has delayed instituting an automatic process to adjust domestic prices to reflect changes in world petroleum prices, thus ensuring continuing full cost recovery. The government must implement this automatic mechanism and also pass a new petroleum law prior to the next IMF Board meeting on June 13, or risk delays to IMF and other donor disbursements. The government is concerned that a further 20% price increase is warranted, due to world price increases since February. Kufuor is reluctant to increase prices again so soon, so may seek USG support to convince the IMF Board to show leniency.

-- Cocoa and Child Labor: Senator Tom Harkin and Congressman Elliot Engel are considering legislation to mandate that U.S. chocolate manufacturers comply with a child-labor free labeling requirement if cocoa cannot be certified as child-labor free by July 1. Industry says such a requirement would make it impossible for U.S. manufacturers to source cocoa from the region, which accounts for 70% of the world's supply. U.S. chocolate manufacturers have been in Ghana over the past week to work with the GOG and local NGOs on this issue.

-- Regional Issues: Kufuor might ask for U.S. views on regional issues such as Liberia (especially Charles Taylor), Togo, and Cote d'Ivoire.  
YATES

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